

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(4) of the Internal Revenue Code of 1954.

Your stated purposes are to, "further the economic cooperative and transportation needs of its members; to provide for a program of joint use of motor vehicles; to conserve the resources and energy of this country; to encourage by example good energy conservation principles, and to further such causes and for such purposes as may be deemed advisable by the governing board."

Your organization is a van pool, with 12 members, and supported by fees and 5000 dollars of members.

Section 1402 of the Internal Revenue Code of 1954 describes certain
of the income exempt from income tax under Section 1401 and reads, in
part, as follows:

"The following are the names of the persons who have been identified as having been involved in the activities of the group, and the dates on which they were identified:

1. [Name] - [Date]
2. [Name] - [Date]
3. [Name] - [Date]
4. [Name] - [Date]
5. [Name] - [Date]
6. [Name] - [Date]
7. [Name] - [Date]
8. [Name] - [Date]
9. [Name] - [Date]
10. [Name] - [Date]

The Internal Revenue Service takes the position that in order for an organization to qualify for exemption from Federal income tax as a social welfare organization described in section 501(c)(4) of the Code, it must be primarily engaged in promoting in some way the common good and general welfare of the community as a whole.

Revenue Ruling 55-311, 1955-1 C.B. 72 provides that: An organization whose primary purpose is the operation of a bus for the convenience of its members, using the income from fares to pay expenses, is not exempt as a local association of employees.

In order for an organization to be considered as a local association of employees it must meet the following. The association must be of local character; its membership must be limited to employees of designated person or persons in a particular locality; and its net earnings must be devoted exclusively to charitable, educational, or recreational purposes.

Revenue Ruling 78-69, 1978 I.R.B. 7 provides that: A Non-Profit organization formed by residents of a suburban community to provide bus transportation between the community and the major employment centers in the metropolitan area during rush hours when the regular bus service is inadequate qualifies for exemption under Section 501(c)(4) of the Code.

Your organization does not provide regular transportation for the community as a whole and therefore does not promote the common good and general welfare of the community as a whole.

After careful consideration of the information submitted, we have concluded that your organization is not a local association of employees and that you are not primarily engaged in promoting the common good and general welfare of the people of the community and, therefore, you are not operating exclusively for the promotion of social welfare. Accordingly, we hold that you do not qualify for exemption from Federal income tax as a social welfare organization described in section 501(c)(4) of the Internal Revenue Code of 1954.

Contributions made to you are not deductible as charitable contributions as defined in section 501(c)(4) of the Code.

You have the right to protest this determination. If you wish to protest, you must file a protest with the Internal Revenue Service within 90 days of the date of this determination.

If you do not wish to protest, you may appeal this determination to the United States Tax Court or to the Federal District Court in the district where you are located.

You are required to file this determination with the Internal Revenue Service.

[REDACTED]

If you agree to the adverse action shown above, please sign and return one copy of the enclosed Form 5018, Consent to Proposed Adverse Action, within ten days of this letter. You should retain a copy for your record.

Sincerely yours,

District Director

Enclosure :
Publication #92
Form 5018